

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF MISSISSIPPI
NORTHERN DIVISION

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiffs,

v.

ARTHUR LAMAR ADAMS AND
MADISON TIMBER PROPERTIES, LLC,

Defendants.

No: 3:18-cv-252

Carlton W. Reeves, District Judge

RECEIVER'S REPORT

June 17, 2019

/s/ Alysson Mills

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*Receiver for Arthur Lamar Adams and
Madison Timber Properties, LLC*

Introduction

For many years Arthur Lamar Adams, through his companies Madison Timber Company, Inc. and Madison Timber Properties, LLC, operated a Ponzi scheme that defrauded hundreds of investors. On May 9, 2018, Adams pleaded guilty to the federal crime of wire fraud. On October 30, 2018, he was sentenced to 19.5 years in prison.

On June 22, 2018, the Court appointed me Receiver of the estates of Adams and Madison Timber. The order of appointment sets forth my responsibilities and duties. Among other things, the order instructs me to take any action necessary and appropriate to preserve the assets of Adams and his businesses, to maximize funds available for distributions to victims. I have undertaken these tasks with substantial assistance from my counsel, including principally Brent Barriere and Lilli Bass.

The Court instructed me to file a report of my progress every 60 days. I filed my last report on April 18, 2019, and this report picks up where that report left off. It does not repeat the same information, except as necessary for context. It contains the following parts:

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As always, my reports are for the Court’s benefit, but I write them for a broader audience, knowing that they may be read by non-lawyers including victims. I remain sensitive to potential ongoing criminal investigations and do not disclose information that might impair their progress.

Recent filings or events—criminal

United States v. Adams, No. 3:18-cr-88

None.

United States v. McHenry, No. 3:19-cr-20

The U.S. Attorney’s Office for the Southern District of Mississippi charged Bill McHenry with securities and commodities fraud and wire fraud earlier this year. On June 11, 2019, the Court entered an order setting a trial date of September 3, 2019.¹

Recent filings or events—civil

Securities & Exchange Commission v. Adams, et al., No. 3:18-cv-252

Approved sale—134 Saint Andrews: On May 10, 2019, after public notice and hearing, the Court entered an order approving the sale of the real property at 134 Saint Andrews Drive, Jackson, Mississippi.² The sale price—\$540,000, subject to a repair allowance of \$20,000—is more than two-thirds of the appraised value as determined by three appraisers, as required by 28 U.S.C. § 2001(b). The sale will close on June 19, 2019.

Alysson Mills v. Michael D. Billings, et al., No. 3:18-cv-679

The complaint against Mike Billings, Wayne Kelly, and Bill McHenry, filed October 1, 2018, alleges they received millions of dollars in “commissions” in exchange for their recruitment of new investors to Madison Timber. Wayne Kelly settled with the Receivership Estate.

Mike Billings: Billings and I continue to negotiate settlement but have not entered an agreement.

Bill McHenry: Litigation against McHenry is ongoing. I have argued that there are no factual disputes and the Court may enter judgment against McHenry in the amount requested, \$3,473,320, as a matter of law, without hearing or trial. A motion for summary judgment and

¹ Doc. 24, *United States v. McHenry*, No. 3:19-cr-20 (S.D. Miss.).

² Doc. 151, *Securities & Exchange Commission vs. Adams, et al.*, No. 3:18-cv-252 (S.D. Miss.).

related filings are available at madisontimberreceiver.com. As of this filing the Court had not issued a ruling.

Alysson Mills v. Butler Snow, et al., No. 3:18-cv-866

The complaint against Butler Snow LLP; Butler Snow Advisory Services, LLC; Matt Thornton; Baker, Donelson, Bearman, Caldwell & Berkowitz, PC; Alexander Seawright, LLC; Brent Alexander; and Jon Seawright, filed December 19, 2018, alleges the law firms and their agents lent their influence, their professional expertise, and even their clients to Adams and Madison Timber. None of the defendants has settled with the Receivership Estate.

Butler Snow: The Butler Snow defendants have argued that the case against them should be submitted to private arbitration. I have argued, among other things, that private arbitration is in no one's interest, except Butler Snow's. The Butler Snow defendants' motion and related filings are available at madisontimberreceiver.com. As of this filing the Court had not issued a ruling.

Baker Donelson: Baker Donelson filed a motion to dismiss all claims against it, which I opposed. Baker Donelson's motion and related filings are available at madisontimberreceiver.com. As of this filing the Court had not issued a ruling.

Alexander Seawright: The Alexander Seawright defendants filed a motion to dismiss all claims against them, which I opposed. The Alexander Seawright defendants' motion and related filings are available at madisontimberreceiver.com. As of this filing the Court had not issued a ruling.

Alysson Mills v. BankPlus, et al., No. 3:19-cv-196

The complaint against BankPlus; BankPlus Wealth Management, LLC; Gee Gee Patridge, Vice President and Chief Operations Officer of BankPlus; Stewart Patridge; Jason Cowgill; Martin Murphree; Mutual of Omaha Insurance Company; and Mutual of Omaha Investor Services, Inc., filed March 20, 2019, alleges the financial institutions and their agents lent their influence, their professional services, and even their customers to Madison Timber, establishing for it a de facto DeSoto County headquarters within BankPlus's Southaven, Mississippi branch office. None of the defendants has settled with the Receivership Estate.

BankPlus: BankPlus filed a motion to dismiss all claims against it on May 21, 2019. I filed a brief opposing that motion on June 17, 2019, and anticipate that BankPlus will file a reply. BankPlus's motion and related filings are available at madisontimberreceiver.com.

Gee Gee Patridge: Patridge, Vice President and Chief Operations Officer of BankPlus, filed a motion to dismiss all claims against her on May 21, 2019. I filed a brief opposing that motion on June 17, 2019, and anticipate that Patridge will file a reply. Patridge's motion and related filings are available at madisontimberreceiver.com.

Martin Murphree: Murphree, a former agent of BankPlus and Mutual of Omaha, filed an answer to the complaint on May 22, 2019. The answer is available at madisontimberreceiver.com.

Jason Cowgill: Cowgill, a former manager of BankPlus's Southaven, Mississippi branch, filed a motion to dismiss all claims against him on May 24, 2019. I filed a brief opposing that motion on June 17, 2019, and anticipate that Cowgill will file a reply. Cowgill's motion and related filings are available at madisontimberreceiver.com.

Mutual of Omaha: Mutual of Omaha filed a motion to dismiss all claims against it on June 3, 2019. I filed a brief opposing that motion on June 17, 2019, and anticipate that Mutual of Omaha will file a reply. Mutual of Omaha's motion and related filings are available at madisontimberreceiver.com.

Stewart Patridge: Patridge, a former agent of BankPlus and Mutual of Omaha, finally was served with the complaint on May 16, 2019. He obtained an extension of time to file an answer or responsive pleading on or before July 1, 2019.

Alysson Mills v. The UPS Store, Inc., et al., No. 3:19-cv-364

On May 23, 2019, I filed a complaint against The UPS Store, Inc.; Herring Ventures, LLC d/b/a The UPS Store; Austin Elsen; Tammie Elsen; Courtney Herring; Diane Lofton; and Chandler Westover. On June 13, 2019, I amended the complaint to include allegations against Rawlings & MacInnis, PA; Tammy Vinson; and Jeannie Chisholm. The defendants are the notaries and their employer on whom Lamar Adams principally relied to notarize fake timber deeds.

The complaint alleges the defendants' actions contributed to the success of the Madison Timber Ponzi scheme, and therefore to the debts of the Receivership Estate. It includes counts for civil conspiracy; aiding and abetting; recklessness, gross negligence, and at a minimum negligence; and negligent retention and supervision. The complaint is available at madisontimberreceiver.com.

Receiver's actions in the past 60 days

Since I filed my last report on April 18, 2019, I have:

Continued to litigate Alysson Mills v. Michael D. Billings, et al., No. 3:18-cv-679

As summarized above, I continue to negotiate settlement with Mike Billings. As of this filing the Court had not issued a ruling on the motion for summary judgment that I previously filed against Bill McHenry.

Continued to litigate Alysson Mills v. Butler Snow, et al., No. 3:18-cv-866

As summarized above, I previously filed oppositions to the Butler Snow defendants' motion to compel arbitration and Baker Donelson's and the Alexander Seawright defendants' motions to dismiss. As of this filing the Court had not issued a ruling on those motions.

Continued to litigate Alysson Mills v. BankPlus, et al., No. 3:19-cv-196

As summarized above, I filed oppositions to motions to dismiss filed by BankPlus; Gee Gee Patridge, Vice President and Chief Operations Officer of BankPlus; Jason Cowgill; and Mutual of Omaha on June 17, 2019. I finally served Stewart Patridge with the complaint on May 16, 2019.

Filed Alysson Mills v. The UPS Store, Inc., et al., No. 3:19-cv-364

As summarized above, on May 23, 2019, I filed a complaint against The UPS Store, Inc.; Herring Ventures, LLC d/b/a The UPS Store; Austin Elsen; Tammie Elsen; Courtney Herring; Diane Lofton; and Chandler Westover, and on June 13, 2019, I amended the complaint to include

allegations against Rawlings & MacInnis, PA; Tammy Vinson; and Jeannie Chisholm. The defendants are the notaries and their employer on whom Lamar Adams principally relied to notarize fake timber deeds.

Liquidated real property

134 Saint Andrews Drive, Jackson, Mississippi: As summarized above, on May 10, 2019, after public notice and hearing, I obtained an order from the Court approving the sale of the real property at 134 Saint Andrews Drive, Jackson, Mississippi.³ The sale price—\$540,000, subject to a repair allowance of \$20,000—is more than two-thirds of the appraised value as determined by three appraisers, as required by 28 U.S.C. § 2001(b). The sale will close on June 19, 2019.

2150 Anderson Road, Unit 504, Oxford, Mississippi: The Adamses’ condo in Oxford, Mississippi, in the Calton Hills subdivision, 2150 Anderson Road, Unit 504, was sold on June 10, 2019, for \$182,000, with a \$3,000 credit for repairs.

Continued to account for “commissions” and gifts

I continue to account for “commissions” paid by Adams, Madison Timber, or Wayne Kelly to individuals in exchange for their assistance in recruiting new investors to the Madison Timber Ponzi scheme. I continue to account for gifts that Adams or Wayne Kelly made with proceeds from Madison Timber.

Continued to review records

To date I have received and reviewed records from Wayne Kelly, Mike Billings, Alexander Seawright, Brent Alexander, Jon Seawright, First Bank of Clarksdale, Southern Bancorp, River Hills Bank, Community Bank, Jefferson Bank, Trustmark Bank, BankPlus, Southern AgCredit, Adams’s and Madison Timber’s accounting firm, Butler Snow, Rawlings & MacInnis, Madison Trust Company (no relation to Madison Timber), Pinnacle Trust, and The UPS Store. I continue to request and review additional records as necessary to assess the Receivership Estate’s rights against third parties that had professional relationships with Adams or Madison Timber.

³ Doc. 151, *Securities & Exchange Commission vs. Adams, et al.*, No. 3:18-cv-252 (S.D. Miss.).

Worked with LLCs of which Adams was a member

Adams was a member of at least six active limited liability companies (“LLCs”) that own real estate. The Receivership Estate has already resolved its interests in 707, LLC; Delta Farm Land Investments, LLC; and KAPA Breeze, LLC. The status of the remaining LLCs is as follows:

Mallard Park, LLC: The LLC’s principal asset is 1,723 acres with a hunting lodge in Humphreys County, Mississippi. I have obtained an appraisal of that property and have negotiated to sell the Receivership Estate’s 25% interest in the LLC to the LLC’s other members in a transaction I am currently finalizing.

MASH Farms, LLC: The LLC’s principal asset is 808+ acres with a hunting camp in Sunflower County, Mississippi. I have obtained an appraisal of that property and have had preliminary negotiations with the LLC’s other members regarding the purchase of the Receivership Estate’s 25% interest. I will consider any offer by any party to purchase the Receivership Estate’s interest for a price that I believe is fair, and I encourage interested parties to contact me directly (504-586-5253). If I am unable to sell the Receivership Estate’s interest, I will evaluate other options available to the Receivership Estate.

Oxford Springs, LLC: The LLC executed a purchase agreement to sell its principal asset, 2,300+/- acres of undeveloped land in Lafayette County, Mississippi, on February 11, 2019. Unfortunately, the purchaser terminated the purchase agreement before a sale was finalized. I am evaluating all options available to the Receivership Estate.

Conferred with federal and state authorities

I have continued to confer with the U.S. Attorney’s Office for the Southern District of Mississippi, the FBI, the Securities and Exchange Commission, the Mississippi Secretary of State’s Office, and the Mississippi Department of Banking and Consumer Finance.

Communicated with investors in Madison Timber

I have continued to communicate with investors in Madison Timber via phone, letter, email, and in-person meetings. I speak to investors almost daily.

Interviewed persons with knowledge

I have continued to interview individuals with first-hand knowledge of matters bearing on the Receivership Estate.

Researched legal claims against third parties

Readers know that my colleagues and I research legal claims against third parties as new facts are discovered. I do not publish our assessments here because to do so would be to telegraph our legal strategies to future defendants.

Receiver's plan for the next 60 days

Continue to litigate Alysson Mills v. Michael D. Billings, et al., No. 3:18-cv-679

As noted above, I await the Court's ruling on my motion for summary judgment against Bill McHenry. No hearing or trial has been set, and it is my position that the Court may enter judgment against McHenry in the amount requested, \$3,473,320, as a matter of law, without hearing or trial. I continue to negotiate with Mike Billings.

Continue to litigate Alysson Mills v. Butler Snow, et al., No. 3:18-cv-866

As noted above, I await the Court's rulings on the Butler Snow defendants' motion to compel arbitration and Baker Donelson's and the Alexander Seawright defendants' motions to dismiss.

Continue to litigate Alysson Mills v. BankPlus, et al., No. 3:19-cv-196

As noted above, I anticipate BankPlus; Gee Gee Patridge, Vice President and Chief Operations Officer of BankPlus; Jason Cowgill; and Mutual of Omaha will file replies to the oppositions to their motions to dismiss that I filed on June 17, 2019. I expect Stewart Patridge's response to my complaint on July 1, 2019.

Continue to litigate Alysson Mills v. The UPS Store, Inc., et al., No. 3:19-cv-364

I expect The UPS Store, Inc.; Herring Ventures, LLC d/b/a The UPS Store; Austin Elsen; Tammie Elsen; Courtney Herring; Diane Lofton; Chandler Westover; Rawlings & MacInnis, PA; Tammy Vinson; and Jeannie Chisholm to file responses to my complaint.

Continue to account for “commissions” and gifts

As noted above, I continue to account for “commissions” paid by Adams, Madison Timber, or Wayne Kelly to individuals in exchange for their assistance in recruiting new investors to the Madison Timber Ponzi scheme. I continue to account for gifts that Adams or Wayne Kelly made with proceeds from Madison Timber.

Monetize Adams’s interests in the remaining three LLCs

For the remaining three LLCs, I intend to liquidate the Receivership Estate’s interests to maximize value to the Receivership Estate:

Mallard Park, LLC: I intend to sell the Receivership Estate’s 25% interest in the LLC to the LLC’s other members in a transaction I am currently finalizing.

Mash Farms, LLC: I want to sell the Receivership Estate’s 25% interest on terms that are in the best interests of the Receivership Estate. I will continue to consider a sale to the LLC’s other members but, as noted above, I will consider any offer by any party that I believe is fair, and I encourage interested parties to contact me directly (504-586-5253). If I am unable to sell the Receivership Estate’s interest, I will evaluate other options available to the Receivership Estate.

Oxford Springs, LLC: I will evaluate all options available to the Receivership Estate.

Finalize sale of 134 Saint Andrews

As noted above, the sale of 134 Saint Andrews Drive, Jackson, Mississippi, will close on June 19, 2019.

File additional lawsuits

I intend to file additional lawsuits against third parties that contributed to the debts of Madison Timber, and therefore to the debts of the Receivership Estate, so long as new information justifies it. To protect the Receivership Estate's position, I am not disclosing publicly third-party targets.

I intend to file additional lawsuits to recover commissions, fraudulent transfers, and gifts as necessary to recover money that belongs to the Receivership Estate.

Readers can expect one or more new lawsuits in the next 60 days.

Continue communicating with investors

I intend to continue communicating with investors, through my website, email, phone, and letters. Investors provide information that is useful to my investigation and, in turn, I hope that I demystify the receivership process for them.

Summary of status of assets

My end goal is to make an equitable distribution to victims with the money I recover. Although I continue to recover money from various third parties, the money that I have recovered to date would not go far. As I have advised, it may take a long time and a lot of work to recover enough money to make a meaningful distribution, but I am committed to pursuing recoveries for the benefit of victims so long as the Court allows. The Receivership Estate's most valuable assets are the lawsuits it has filed or intends to file.

The current status of the Receivership Estate's assets is as follows:

Receivership Estate's account at Hancock Bank	current balance \$5,127,603.24
Previous balance as of April 18, 2019	\$4,999,117.99
Settlement—Frank Zito—final installment	+\$100,000.00
Sale proceeds—Oxford condo	+\$139,919.09
Interest	+\$8,599.48
Bank fees	-\$ 81.00
Receiver/Receiver's counsel's fees/expenses	-\$119,597.69
City of Oxford—Oxford condo—utilities	-\$192.39
Entergy—134 Saint Andrews—utilities	-\$90.00
City of Jackson—134 Saint Andrews—services	-\$36.24
Correction to Mallard Park LLC distribution	-\$36.00

Alysson Mills vs. Michael D. Billings, et al., No. 3:18-cv-679

Lawsuit to recover \$16,000,000 in commissions

*settlement with Billings likely
litigation against McHenry ongoing*

Alysson Mills vs. Butler Snow, et al., No. 3:18-cv-866

Lawsuit to hold law firms liable for debts of the Receivership Estate

litigation ongoing

Alysson Mills vs. BankPlus, et al., No. 3:19-cv-196

Lawsuit to hold bank and financial services company liable for debts of the Receivership Estate

litigation ongoing

Alysson Mills v. The UPS Store, Inc., et al., No. 3:19-cv-364

Lawsuit to hold notaries liable for debts of the Receivership Estate

litigation ongoing

Settlement—Wayne Kelly	<i>received \$1,384,435.17 plus interests in 707, 315 Iona, and KAPA Breeze, LLCs promissory note in the original principal amount of \$400,000 outstanding</i>
Settlement—Frank Zito	<i>received \$100,000, first installment received \$100,000, second and final installment, June 12, 2019</i>
House at 134 Saint Andrews Drive, Jackson, Mississippi Unencumbered	<i>closing June 19, 2019</i>
Condo in Calton Hill subdivision in Oxford, Mississippi Unencumbered	<i>received \$139,919.09 in proceeds from sale</i>
Jewelry	<i>for sale</i>
1/4 Mallard Park, LLC 1,723 acres with hunting lodge in Humphreys County Purchased in 2016 for \$2,593,500 Encumbered by Southern AgCredit mortgage Owe approximately \$2,000,000	<i>sale of interest likely</i>
1/4 Mash Farms, LLC 808+ acres with hunting camp in Sunflower County Purchased in 2014 for \$1,600,000 Encumbered by Trustmark Bank mortgage Owe approximately \$900,000	<i>assessing options</i>
47.5% Oxford Springs, LLC 2,300+- acres undeveloped land in Lafayette County Purchased in 2015 and 2016 for total of \$6,158,000 Encumbered by First Bank of Clarksdale mortgage Owe approximately \$4,500,000	<i>assessing options</i>
Hartford Life and Annuity Insurance Co. life insurance policy	<i>surrendered for \$167,206.60</i>
Lincoln National Life Insurance Co. life insurance policy	<i>surrendered for \$3,678.45</i>
1/6 707, LLC 263+ acres recreational land in Holmes County Purchased in 2009 Encumbered by First Commercial Bank mortgage Owe approximately \$368,000	<i>LLC sold principal asset and dissolved; tendered \$6,994.09 representing Adams's, Kelly's, and McHenry's interests to the Receivership Estate</i>
1/3 Delta Farm Land Investments, LLC 1170+ acres farmland in Oktibbeha County Purchased in 2014 for \$2,796,100 Encumbered by Trustmark Bank mortgage Owe approximately \$2,200,000	<i>LLC sold principal asset and dissolved; tendered \$323,440.88 representing Adams's interest to the Receivership Estate</i>
Settlement—Ole Miss Athletics Foundation	<i>received \$155,084.50, first installment received \$155,084.50, second and final installment, April 17, 2019</i>

Marital Property Settlement—Vickie Lynn Adams	<i>received \$58,247</i>
Lump sum payment includes proceeds from sale of Lexus LX 570 and liquidation of Hartford Life and Annuity Insurance Co. life insurance policy	
Settlement—Adams children	<i>received \$170,000</i>
1/2 KAPA Breeze LLC	<i>sold the Receivership Estate's interest for \$700,000</i>
1.5+ / acres mixed use land on Highway 30A in Florida	
Purchased in 2017 for approximately \$1,900,000	
Encumbered by Jefferson Bank mortgage	
Owe approximately \$1,365,000	
Alexander Seawright—UPS's funds*	<i>holding \$100,000</i>
Settlement—Philippi Freedom Ministries	<i>received \$16,125</i>
Settlement—Rick Hughes Evangelistic Ministries	<i>received \$43,657.95</i>
2018 King Ranch Ford F150 truck	<i>sold for \$42,750</i>

~~Strikethrough~~ indicates asset has been liquidated or proceeds are already accounted for in the Hancock Bank account balance.

*Holding funds solely as an offset to UPS's monetary liability for future claims the Receivership Estate might have against UPS.